

Blueprint Maryland

THE STATE'S HOUSING ECONOMY IN REVIEW VOLUME 2 ISSUE 4

Residential Building Permits Keep Pace With Household Growth

The U.S. and Maryland housing markets have gone through two distinct cycles over the past ten years. The first housing cycle, 1995 through 1999, witnessed a robust economic growth, moderate mortgage rates and modest home prices.

In Maryland, employment grew at a healthy rate of 2.8 percent, the number of new households increased at an average rate of 1.1 percent, residential construction permits grew at a rate of 2.2 percent annually, and median home prices grew at an annual rate of only 2.9 percent. With the exception of housing construction permits, the U.S. economy exhibited similar characteristics in this period, as the employment grew by an annual average rate of 1.3 percent, household formation increased at an average rate of 1.3 percent, and median home prices rose at an annual average rate of 5.1 percent. The number of housing permits, however, grew at a substantially higher rate of 5.6 percent nationally, more than twice the corresponding rate in Maryland. During this period, Freddie Mac's 30-year fixed mortgage rates averaged 7.5 percent nationally.

The second cycle, 2000 through 2004, was marked by a considerably weaker economic growth, historically low

mortgage rates, and vigorous house price appreciation. During this cycle, employment grew at annual average rate of 0.6 percent in Maryland, while it declined at an annual average rate of 0.1 percent in the U.S. The rate of growth of households increased to 1.2 percent in Maryland and to 1.1 percent nationally. The average 30-year mortgage rate declined to a historically low rate of 6.6 percent, prompting median home prices to increase at an annual average rate of 8.0 percent in the U.S. and 17.0 percent in Maryland. The pace of housing permits issued in the U.S. increased to an annual average rate of 7.3 percent, while it grew by only 1.1 percent in Maryland. The growth of permits in Maryland was 24.9 percentage points less than similar growth in the nation, and about half the rate Maryland experienced in the 1995-1999 housing cycle.

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The average 30-year mortgage rate declined during the 2000 to 2004 housing cycle to a historically low rate of 6.6 percent, prompting median home prices to increase at an annual average rate of 8.0 percent in the U.S. and 17.0 percent in Maryland.

CONTENTS

- 1 RESIDENTIAL BUILDING PERMITS KEEP PACE WITH HOUSEHOLD GROWTH
- 1 NATIONAL ECONOMIC DIGEST
- 3 RESIDENTIAL CONSTRUCTION
- 5 MORTGAGE RATES
- 5 HOME SALES
- 7 HOMEOWNERSHIP AFFORDABILITY INDICES



Maryland Department of Housing
and Community Development

Blueprint Maryland is published monthly by the Maryland Department of Housing and Community Development
www.blueprintmaryland.com

National Economic Digest

Fed's Beige Book is Upbeat

The Federal Reserve's Beige Book for January through February reported moderate economic expansion across the nation. Activity in service-sector industries showed signs of strengthening since January's report. Nearly all Districts reported continued expansion in manufacturing, though the expansion pace has remained steady since the last report. Housing markets and residential construction

activity were robust and home sales remained strong across most of the nation. However, commercial real estate markets were relatively stable, as most Districts reported little change in overall loan demand. Labor markets tightened in almost all Districts, causing wages and benefit costs to continue their upward trend, albeit at a moderate pace. Many Districts reported increased difficulty in locating skilled workers for at least some industries. Businesses reported increases in

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This issue of *Blueprint Maryland* shows the importance of maintaining a healthy balance between the supply of building permits and the growth of population. I am pleased to see that virtually all local jurisdictions have successfully met the growing housing demand by issuing residential building permits in proportion to the growth of their households. If Maryland jurisdictions continue to issue these permits at the 2000 to 2004 average pace, the forecasted demand for housing will be within the range of the actual supply. Please visit www.mdhousing.org to read the full report.

— ROBERT L. EHRLICH, JR., Governor, State of Maryland

From the first to the second housing cycle, the number of single-family and multi-family building permits declined in many jurisdictions surrounding Maryland. The permit volume declined by 0.7 percent in the U.S., 16.2 percent in Maryland (the largest drop in the region), 10.6 percent in Pennsylvania, 3.7 percent in West Virginia, and 2.2 percent in Virginia. The number of permits issued increased by 359.2 percent in D.C. and by 9.7 percent in Delaware. The single-family building permits declined by 16.5 percent in Maryland, by 13.7 percent in Pennsylvania and by 2.2 percent in Virginia. However, the single-family permits increased between the two periods in Delaware (8.0 percent), D.C. (44.8 percent), and West Virginia (10.3 percent). The multi-family building permits issued declined by 14.6 percent in Maryland, by 2.1 percent in Virginia, and by 55.6 percent in West Virginia. The multi-family permits increased between the two cycles in Delaware (28.1 percent), D.C. (716.2 percent), and Pennsylvania (7.4 percent).

Many socio-economic factors influence the fluctuations in the volume of residential building permits issued by the local jurisdictions. These factors include local zoning ordinances, population and economic growth, demographic changes, vacancy rates, and commuter patterns. In general, local zoning policies affect the supply of housing permits, while household growth determines the potential demand for new construction. Restrictive residential zoning policies widen the gap between the housing permits and the number of new households. Therefore, the ratio of new housing permits to new households measures the extent to which a local jurisdiction is willing or able to meet the growing housing demand. Ratios equal to or above one indicate that the housing demand is being met, potentially, by a growing housing supply. On the other hand, ratios below one show an imbalance between demand and supply, in that the potential housing demand exceeds planned construction.

The permit to new household ratio in Maryland increased from 1.3 in the first housing cycle to 1.5 in the second, indicating that the overall housing demand was met in both cycles. With the exception of Allegany County and Baltimore City, where the number of residential building permits increased despite reductions in the number of new households, all Maryland counties exhibited ratios of greater than one in the 1995 to 1999 housing cycle. In the second housing cycle (2000-04), Allegany County and Baltimore City exhibited similar trends, while Prince George's County (0.75), Baltimore County (0.95), and Montgomery County (0.97) recorded ratios of less than one. Furthermore, Calvert and Howard counties barely maintained the balance between new households and permits issued with a ratio of one. All other counties had ratios of greater than one.

A similar trend can be observed in the neighboring

EXHIBIT A: **RESIDENTIAL BUILDING PERMITS** **Maryland and Neighboring States**

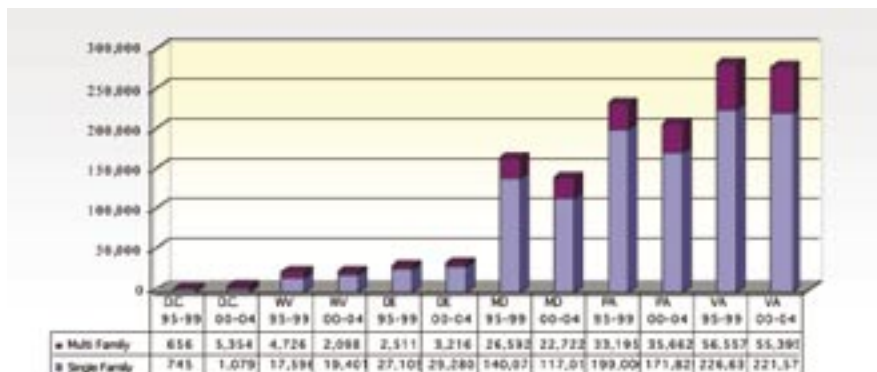


EXHIBIT B: **PERMIT TO NEW HOUSEHOLD RATIOS IN MARYLAND AND NEIGHBORING JURISDICTIONS**

JURISDICTION	1995-1999 PERIOD			2000-2004 PERIOD		
	New Households	Permits	Permit Ratio	New Households	Permits	Permit Ratio
Maryland	107,115	136,367	1.3	94,829	139,740	1.5
Allegany	-172	564	a	-554	379	a
Anne Arundel	10,928	16,565	1.5	7,959	13,829	1.7
Baltimore	11,492	13,042	1.1	11,676	11,063	0.9
Calvert	3,322	4,625	1.4	4,071	4,155	1.0
Baltimore City	-11,500	537	a	-9,919	1,603	a
Caroline	289	708	2.5	479	727	1.5
Carroll	4,085	5,413	1.3	5,454	6,356	1.2
Cecil	2,807	3,878	1.4	3,031	4,707	1.6
Charles	3,782	6,272	1.7	5,447	6,285	1.2
Dorchester	270	541	2.0	24	1,013	41.6
Frederick	6,247	9,646	1.5	8,512	9,983	1.2
Garrett	376	1,262	3.4	120	1,565	13.0
Harford	5,819	8,674	1.5	6,177	9,036	1.5
Howard	8,768	9,952	1.1	7,416	7,760	1.0
Kent	300	608	2.0	236	797	3.4
Montgomery	17,260	18,733	1.1	21,553	20,800	1.0
Prince George's	11,699	17,216	1.5	17,584	13,186	0.7
Queen Anne's	1,508	1,990	1.3	1,671	2,156	1.3
St. Mary's	2,909	4,163	1.4	2,913	4,758	1.6
Somerset	82	424	5.1	381	412	1.1
Talbot	591	1,526	2.6	437	1,993	4.6
Washington	1,354	3,106	2.3	2,324	5,392	2.3
Wicomico	1,173	2,200	1.9	1,226	3,537	2.9
Worcester	2,244	3,309	1.5	1,658	4,722	2.8
Delaware	25,353	24,504	1.0	16,933	32,496	1.9
D.C.	-1,396	1,173	a	-5,127	6,433	a
Pennsylvania	102,769	191,226	1.9	50,439	207,491	4.1
York County	6,393	7,182	1.1	6,291	8,458	1.3
Virginia	191,067	236,315	1.2	147,821	276,966	1.9
Selected Counties*	45,970	100,993	2.2	56,743	122,023	2.2
West Virginia	18,120	19,808	1.1	2,600	21,499	8.3
Berkley & Jefferson	4,418	5,554	1.3	5,332	9,344	1.8
U.S.	6,627,168	7,406,526	1.1	4,359,070	8,704,065	2.0

* Neighboring counties included in this study are part of the Washington-Baltimore Consolidated Metropolitan Statistical Areas. Virginia portion includes Arlington, Clarke, Culpeper, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren counties, as well as the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park.

"a" stands for a negative permit/household ratio due to a rise in building permits issued despite a decline in the number of new households.

**EXHIBIT C:
PROJECTED DEMAND VS. SUPPLY OF
NEW HOUSING IN MARYLAND 2005–2015**

JURISDICTION	ANNUAL AVERAGE GROWTH	
	New Households	Housing Permits
Allegany	15	76
Anne Arundel	1,950	2,766
Baltimore	1,953	2,213
Baltimore City	1,440	321
Calvert	383	831
Caroline	120	145
Carroll	743	1,271
Cecil	573	941
Charles	1,305	1,257
Dorchester	75	203
Frederick	1,720	1,997
Garrett	93	313
Harford	1,738	1,807
Howard	1,750	1,552
Kent	83	159
Montgomery	4,300	4,160
Prince George's	2,710	2,637
Queen Anne's	345	431
Somerset	30	82
St. Mary's	693	952
Talbot	145	399
Washington	458	1,078
Wicomico	450	707
Worcester	270	944
Maryland	23,338	27,243

Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

states. (See Exhibit A.) With the exception of Washington, D.C. where the number of residential building permits increased amid concurrent reductions in the number of new households, all jurisdictions displayed permit to household ratios of greater than one in both housing cycles. However, compared to Maryland, the ratios grew significantly higher between the two cycles in West Virginia (1.1 to 8.3), Pennsylvania (1.9 to 4.1), Delaware (1.0 to 1.9), and Virginia (1.2 to 1.9). The ratio grew at a much slower pace in jurisdictions surrounding Maryland, including Berkeley and Jefferson counties, West Virginia (1.3 to 1.8), York, Pennsylvania (1.1 to 1.3), and was unchanged in selected Virginia jurisdictions (2.2).

The permit to new household ratios illustrated the gaps in housing production over the past two housing cycles. (See Exhibit B.) Similarly, future housing needs and potential production gaps can be estimated by comparing projections of household growth with the anticipated growth of the residential building permits. According to the projections of the Maryland Department of Planning, Maryland will add, on average, about 23,338 new households each year during the 2005 to 2015 period. Thus, the forecasted demand for residential housing will be about 23,338 units annually for the next ten years. On the production side, an average of 27,243 residential building permits were issued in Maryland

annually during the 2000 to 2004 period. (See Exhibit C.) Assuming Maryland jurisdictions will continue issuing building permits at the pace of the 2000–04 housing cycle, the forecasted demand for housing will be within the range of the actual supply. This is true for most jurisdictions except Howard, Montgomery and Prince George's counties, as well as Baltimore City, where the forecasted demand exceeds annual production.

This analysis does not take into account housing vacancies and the fact that the permit data may include second homes. In 2003, the number of vacant dwellings was 48,149 units in Baltimore City, 3,993 units in Howard County, 13,065 units in Montgomery County, and 10,002 units in Prince George's County. Some of these units need significant renovation and/or rehabilitation expenditures and, therefore, may not be readily available for occupancy. The habitable units, on the other hand, if added to the current supply of housing units, can help reduce the projected housing shortfall throughout Maryland. ■



Residential Construction

Construction Spending is Up

U.S. construction spending rose by 0.4 percent in February, driven by gains in private residential and public sector investments. Private residential activity increased by 0.7 percent, due mainly to a strong growth in single-family construction spending (1.4 percent), while multi-family construction spending declined by 0.3 percent. Spending on nonresidential structures declined by 1.2 percent, as healthcare, commercial, communications, power and manufacturing sectors curtailed their construction activities in February. Public sector construction spending, however, increased 1.1 percent as both educational structures and roadways posted higher expenditures.

Housing Market Index Remains Steady

The Housing Market Index produced by the National Association of Home Builders, was virtually unchanged at 69 in March and within a two-point range throughout the past six months, reflecting the ongoing stability and strength of the U.S. housing market. All components of the index — current single-family sales, projected sales in the next six months, and traffic of potential buyers — remained

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RESIDENTIAL CONSTRUCTION – FEBRUARY 2005

COUNTY	PERMITS		STARTS		COMPLETIONS	
	Units	\$ Value ('000s)	Units	\$ Value ('000s)	Units	\$ Value ('000s)
Allegany	1	173	7	448	10	1,692
Anne Arundel	162	22,073	162	22,073	233	27,553
Baltimore	127	14,150	100	12,293	11	642
Baltimore City	58	4,297	18	1,323	116	15,854
Calvert	32	5,326	32	5,326	48	12,922
Carroll	80	12,135	71	10,259	64	8,702
Cecil	83	12,788	84	12,837	83	13,513
Charles	83	16,590	110	18,259	142	26,995
Frederick	69	9,573	69	9,416	95	10,101
Garrett	12	3,034	12	3,034	20	5,362
Harford	148	19,615	141	19,295	164	22,220
Howard	224	21,670	97	13,258	59	8,064
Montgomery	427	65,966	244	53,981	351	49,563
Prince George's	162	25,006	162	25,006	153	25,767
Queen Anne's	15	3,017	15	3,017	16	2,713
St. Mary's	51	6,680	56	7,046	112	13,424
Washington	160	15,037	98	12,503	116	14,678
Wicomico	50	6,163	50	6,163	70	8,322
Worcester	78	10,088	96	11,448	98	14,166
Other*	580	42,774	220	22,974	121	19,634
Maryland	2,602	\$316,158	1,844	\$269,959	2,082	\$301,887

* Permit data for Caroline, Dorchester, Kent, Somerset and Talbot counties were not available at the time of this publication. Aggregate data for these counties are based on the projections made by the Census Bureau.

Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

steady in this month. Compared to March 2004, the index is up by almost five points. Homebuilders remain optimistic as robust demand for new homes, driven by favorable financing conditions and steady gains in jobs and incomes, continue to exceed the supply in many markets.

Mortgage Refinancing Declines in March

The Mortgage Applications Index of the Mortgage Bankers Association, a volatile leading indicator of home sales and refinancing, declined in March by 5.0 percent to 674.3. The index is now 38.0 percent below its March 2004 value, due mainly to a sharp drop in the refinancing component. The refinancing component declined by 18.6 percent from February, and by 62.0 percent from March 2004. On the contrary, the purchase application component rose by 7.0 percent to 470.9, and compared to a year ago, increased by 6.0 percent. From February to March, Freddie Mac's 30-year fixed contract mortgage rate jumped 30 basis points to 5.93 percent, while the one-year adjustable rate mortgage (ARM) increased 7 basis points to 4.23 percent. The 30-year fixed mortgage rate is now 58 basis points above the March 2004 rate, while the ARM is up by 82 basis points. Consistent with the Housing Market Index, the March reading of the Mortgage Applications Index points to a steady housing market driven by healthy growth in jobs and incomes.

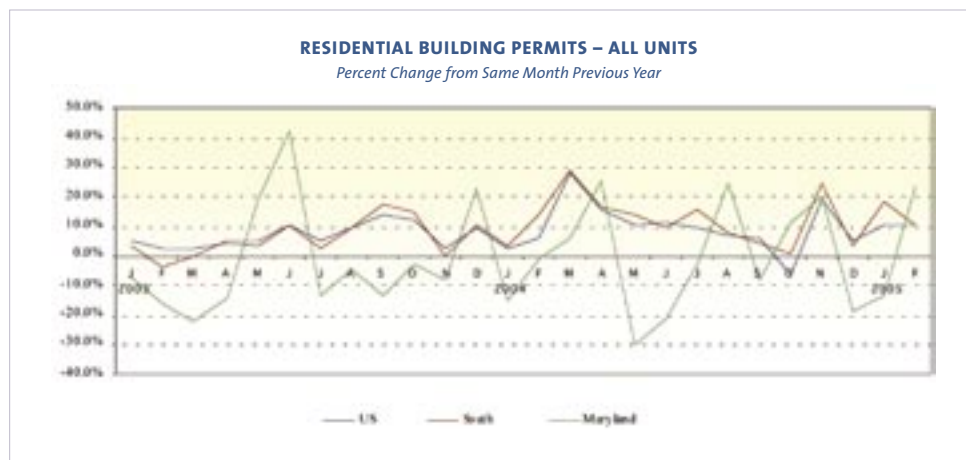
Pending Home Sales Index Improves in February

The Pending Home Sales Index, a new leading indicator for the housing market, was recently developed by the National Association of Realtors. A home sale is pending when the contract has been signed, but the transaction has not been closed. On average, pending sales close within one or two months of signing. An index of 100 is equal to the average level of contract activity experienced in 2001, the base year for the index. The index was 123.2 in February, up 2.2 percent from January and 10.4 percent above February 2004, suggesting that existing home sales will potentially increase in March and April.

Building Permits Increased Sharply in Maryland

In February, the U.S. Census Bureau reported that privately owned building permits in the U.S. increased by 5.7 percent to 145,426 units. The increase in building permits was due to a 7.5 percent rise in single-family permits to 112,999 units, while multi-family permits remained unchanged at 32,427 units. Compared to February 2004, both single-family and multi-family permits were up, as they increased by 9.2 percent and 16.9 percent, respectively.

The February volume of building permits issued in the South region increased by 0.2 percent to 74,500 units. The south region includes Maryland, Delaware, Washington, D.C., Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, Louisiana, Arkansas



Source: U.S. Census Bureau & Maryland Department of Housing and Community Development

and Texas. The region's single-family permits were up, as they increased by 3.0 percent to 59,000 units, while multi-family permits issued declined by 9.4 percent to 15,500 units. Compared to February 2004, residential building permits issued in the South region increased by 10.2 percent, as multi-family permits increased by 7.7 percent and single-family permits rose by 10.8 percent.

The February building permits issued in Maryland increased sharply by 70.6 percent to 2,602 units. Single-family permits were up by 23.2 percent to 1,692 units, while multi-family permits skyrocketed by 498.7 percent to 910 units. Compared to the same month last year, residential building permits issued for all units increased by 58.9 percent, reflecting a rise of 22.2 percent for single-family structures and a sharp rise of 261.1 percent for multi-family units.

Maryland Housing Starts Gained in February

Nationally, residential construction in February increased by 2.3 percent to 144,300 units. Single-family construction increased by 3.2 percent to 116,600 units, while multi-family construction declined by 1.1 percent to 27,700 units. Compared to the same month last year, single-family and multi-family housing starts were up by 19.1 percent and 15.4 percent, respectively. Housing starts declined in the South region by 8.5 percent to 74,100 units in February, due to declines of 6.7 percent for single-family construction, and 17.1 percent for multi-family starts. Compared to February 2004, residential housing starts were up by 22.1 percent, reflecting increases of 3.6 percent in the multi-family construction, and 26.3 percent in the single-family housing activity. Housing starts in Maryland increased by 2.0 percent in February to 1,844 units. Across product types, single-family housing starts increased by 23.2 percent to 1,692 units, while multi-family starts decreased by 65.1 percent to 152 units. Compared to February 2004, housing starts were up by 17.8 percent in Maryland, representing an increase of 22.2 percent in single-family construction, but a decline of 15.6 percent in multi-family construction.

Housing Completions Up in Maryland

The U.S. Census Bureau reported that the privately owned housing completions nationwide declined by 2.7 percent to 129,400 units in February, but increased by 9.0 percent from February 2004. Across the nation, single-family and multi-family housing completions declined by 1.8 percent to 109,300 units, and by 7.4 percent to 20,100 units, respectively. In the South region, housing completions increased by 1.0 percent to 61,300 units. Single-family completions were up by 8.2 percent to 52,900 units, while multi-family completions declined by 28.8 percent to 8,400 units. Similar to the national trend, housing completions in this region were up by 12.5 percent, compared to the February 2004 data. In Maryland, the number of housing units completed increased by 5.7 percent to 2,082 units in February. Single-family completions increased by 1.7 percent to 1,810 units, while multi-family housing completions jumped by 43.2 percent to 272 units. However, compared to the same month last year, housing completions were down by 2.8 percent in Maryland.

Residential Construction Activity in Maryland Counties

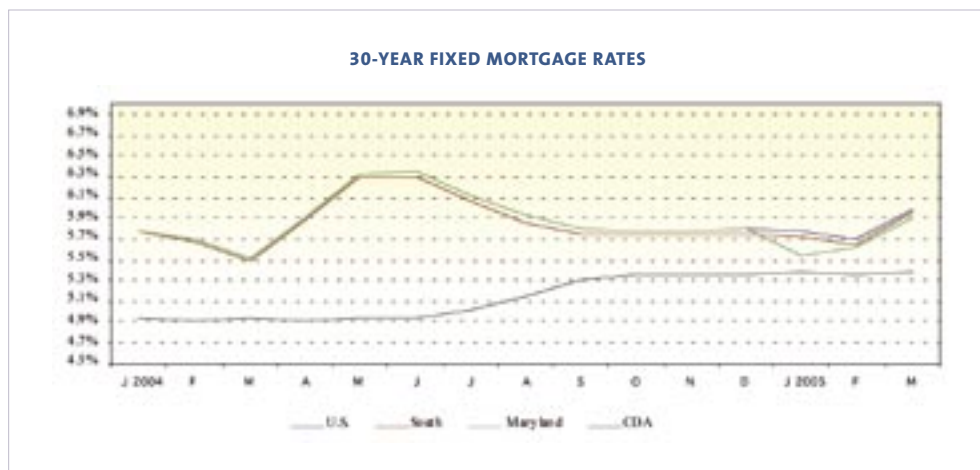
Across Maryland, the value of housing permits in February jumped by 32 percent to \$316 million. Maryland jurisdictions that reported gains in the number and value of building permits issued for this month included Baltimore, Carroll, Cecil, Garrett, Harford, Howard, Montgomery, Washington, Worcester counties, and Baltimore City. Statewide, the value of housing starts in February increased by 5.1 percent to \$270 million. Overall, seven Maryland jurisdictions reported gains in the number and value of housing starts, including Cecil, Charles, Garrett, Harford, Montgomery, Washington, and Worcester counties. The value of housing units completed in Maryland increased by 13.4 percent to \$302 million in February. Maryland jurisdictions that reported gains in the number and value of housing completions included Allegany, Anne Arundel, Calvert, Carroll, Cecil, Charles, Montgomery, Prince George's, Washington, and Wicomico counties. ■

Mortgage Rates

The effective 30-year fixed mortgage rates, rates that account for variations in points, shot up in March 2005. From February to March, Freddie Mac's 30-year effective fixed mortgage rate jumped from 5.70 percent to 5.99 percent in the U.S., and from 5.66 percent to 5.96 percent in the South region.

The 30-year fixed effective mortgage rate in Maryland rose from 5.62 percent in February 2005 to 5.91 percent in March. The Maryland commercial fixed mortgage rate is now 8 basis points below the national rate.

The effective mortgage rate of the Community Development Administration (CDA), an arm of the Maryland Department of Housing and Community Development, stands at 5.39 percent. The CDA's Maryland Mortgage Program (www.morehouse4less.com) provides low-interest



mortgage loans to eligible homebuyers through private lending institutions throughout the State. The CDA's effective rate is now 52 basis points below the average effective commercial mortgage rates in Maryland, and 60 basis points below Freddie Mac's national average rate. ■

New home sales in February rose by 23.3 percent in the U.S. to 106,000 units, and by 30.0 percent in Maryland to 1,600 units.

Home Sales

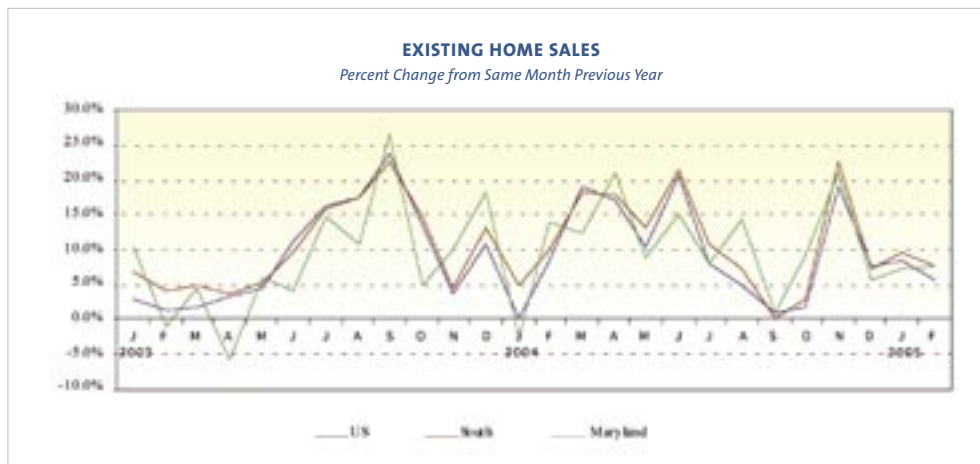
New Home Sales up in February

According to the Census Bureau, new home sales in the U.S. rose 23.3 percent in February to 106,000 units, up 3.9 percent from the previous year. After a slight dip in January, median home sale prices increased 9.6 percent in February to \$230,700. The inventory of homes available for sale declined by less than 1 percent to 437,000 units (about 4.1 months supply), though in line with the robust housing demand. The February supply was 19.2 percent lower than last month, but 16.8 percent higher than the February 2004 supply. Following the national trend, new home sales increased in the South region by 23.3 percent to 54,000 units in February. The inventory of new homes for sale was 3.8 months supply in this region, representing a decline of 16.7 percent from January 2005. A total of 1,600 new homes were sold in Maryland, up 30 percent from January, but down 10.8 percent from February 2004.

Existing Home Sales Increased in February

Sale of existing homes increased nationally in February to 401,000 units, an increase of 5 percent from last month and 5.8 percent from February 2004. Total housing inventory rose 10.7 percent in February, representing a 4.2 months supply, an improvement from January's record low of 3.7 months. The February median home price nationwide was \$191,000, reflecting a rise of 1.1 percent from last month and 11 percent from February 2004. In the South region, existing home sales rose to 156,000

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units, up 6.8 percent from January and 7.6 percent from the previous year. The February median home price in the South declined by 3 percent for the second consecutive month to \$164,000, but increased by 7.2 percent from last year.

In February, the volume of existing homes sold in Maryland increased 4.4 percent to 6,054 units, up 7.8 percent from February 2004. The inventory of Maryland homes available for sale increased by 32.6 percent to 11,890 units, representing a 2.0 months supply of housing units. The February supply represented an increase of 27.1 percent over last month, but a decline of 1.6 percent below February 2004. The February median house price rose 1.1 percent to \$254,690, up 23.9 percent from the previous year.

Maryland Counties

The housing inventory levels in Maryland rose 33 percent at the end of February with 11,890 existing homes available for sale, representing a 2 months supply at the current sales pace. Statewide inventory was up 27.1 percent from last month, but down 1.6 percent from last year. A total of 6,054 housing units were sold in February, an increase of 4.4 percent from last month and 7.6 from last year, respectively. In February, existing homes stayed on the market, on average, 53 days from the day the listing become active,



The volume of existing homes sold in Maryland increased 4.4 percent to 6,054 units in February. The inventory of Maryland homes available for sale increased by 32.6 percent to 11,890 units, representing a 2.0 months supply of housing units.

up 9 percent from last month but down 5.6 percent from last year. Kent County with 11.2 months supply and Prince George's County with just one month supply, had the highest and the lowest inventories of existing homes in February; respectively. High inventories were reported in Talbot, Garrett, Queen Anne's, Dorchester, Caroline, Allegany and Cecil Counties. On the other hand, very low inventories were reported in Montgomery, Howard, Charles and Baltimore Counties.

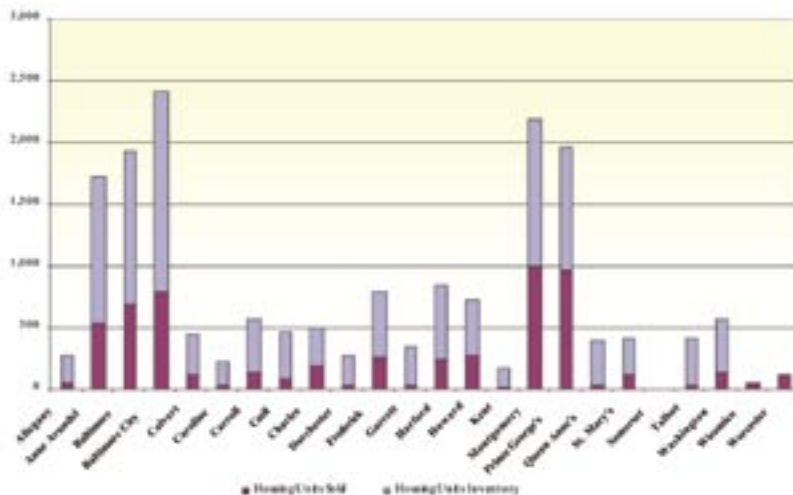
Statewide, existing homes available for sale in February, had remained on the market for an average of 33 days in Prince George's County, the shortest in Maryland, and 156 days in Talbot County, the longest. Days on the market were above 100 in Garrett, Allegany, Dorchester, Calvert, and Caroline Counties. Existing homes remained on the market less than 50 days in Montgomery, Frederick, Baltimore, Charles, and Howard Counties. ■

REAL ESTATE TRANSACTIONS IN MARYLAND – FEBRUARY 2005

COUNTY	DAYS ON MARKET			HOUSING UNITS SOLD			HOUSING UNITS INVENTORY		
	Current Month	Change From Last Year	Change From Last Month	Current Month	Change From Last Year	Change From Last Month	Month's Supply	Change From Last Year	Change From Last Month
Allegany	144	14.3%	18.0%	49	22.5%	0.0%	4.8	-29.2%	18.7%
Anne Arundel	51	13.3%	6.3%	547	1.7%	4.6%	2.2	-9.4%	19.3%
Baltimore	42	-26.3%	-6.7%	690	3.8%	-2.4%	1.8	4.5%	41.1%
Baltimore City	88	-8.3%	25.7%	800	11.9%	7.5%	2.0	101.9%	22.4%
Calvert	108	61.2%	58.8%	118	6.3%	45.7%	2.8	10.5%	-12.1%
Caroline	104	36.8%	23.8%	32	60.0%	0.0%	6.2	-32.3%	36.8%
Carroll	62	24.0%	34.8%	136	-2.2%	6.3%	3.3	3.1%	46.1%
Cecil	81	11.0%	32.8%	83	15.3%	-1.2%	4.7	-3.1%	29.6%
Charles	42	-6.7%	20.0%	198	20.7%	20.7%	1.6	5.1%	29.2%
Dorchester	117	-43.5%	2.6%	39	30.0%	50.0%	6.3	-24.0%	-14.7%
Frederick	38	-7.3%	-2.6%	270	3.8%	4.7%	2.0	-9.7%	33.6%
Garrett	154	-16.3%	-26.3%	36	50.0%	12.5%	8.8	-28.8%	-5.7%
Harford	58	-1.7%	41.5%	253	24.0%	24.6%	2.4	-8.1%	17.7%
Howard	43	2.4%	-2.3%	283	22.5%	7.6%	1.6	-13.7%	26.6%
Kent	94	-42.3%	-4.1%	14	-17.6%	-30.0%	11.2	18.4%	93.3%
Montgomery	37	19.4%	0.0%	1,001	11.7%	1.3%	1.2	-17.6%	30.9%
Prince George's	33	-37.7%	-19.5%	969	-2.2%	3.7%	1.0	-32.5%	37.1%
Queen Anne's	91	13.8%	-1.1%	41	10.8%	-29.3%	8.6	-6.8%	83.7%
St. Mary's	56	-11.1%	-8.2%	122	25.8%	0.0%	2.5	27.8%	36.5%
Somerset	n/a	n/a	n/a	11	-47.6%	-47.6%	n/a	n/a	n/a
Talbot	156	43.1%	194.3%	38	5.6%	-28.3%	9.8	-3.7%	64.1%
Washington	74	-9.8%	29.8%	144	16.1%	2.1%	3.0	-5.7%	18.3%
Wicomico	n/a	n/a	n/a	63	-14.9%	-1.6%	n/a	n/a	n/a
Worcester	n/a	n/a	n/a	117	-3.3%	14.7%	n/a	n/a	n/a
Maryland	53	-5.6%	9.0%	6,054	7.6%	4.4%	2.0	-1.6%	27.1%

Source: Metropolitan Regional Information Systems, Inc.

REAL ESTATE TRANSACTIONS – FEBRUARY 2005



Source: Maryland Association of Realtors

Homeownership Affordability Indices

The Maryland Homeownership Affordability Indices for repeat and first-time homebuyers provide a framework within which housing affordability in Maryland counties and Baltimore City can be traced over time.

In February, the Maryland affordability index for repeat buyers was 110, signifying the ability of a typical repeat buyer to afford a house that is 10 percent more expensive than a median priced home. The Maryland affordability index for first-time buyers stood at 71 in February, indicating that the typical first-time buyer could only afford a home priced 29 percent below the median priced home available to first-time buyers. Homebuyers' ability to buy a median priced home in Maryland remained constant in February as the statewide index was unchanged from last month, but down 20.6 percent compared to February 2004. The month-to-month stability in the affordability indices resulted from a small increase in home prices, but was balanced by a modest decline in interest rates. The median sales

price of existing homes in Maryland increased by 1.1 percent to \$254,690 for the repeat buyers, and to \$216,487 for first-time homebuyers. Effective 30-year mortgage rates fell from 5.77 percent in January 2005 to 5.70 percent in February 2005.

Across the state, Montgomery County had the highest median housing price of \$375,000 for repeat buyers and \$318,750 for first-time buyers, up 21.7 percent from a year ago and up 1.4 percent from the previous month. The resort destination of Garrett County remains the least affordable jurisdiction in Maryland with homeownership affordability indices of 53 for repeat buyers and 34 for first-time buyers. The median housing prices in Garrett County in February were \$322,500 for repeat buyers and \$274,125 for first-time buyers. Allegany County, on the other hand, with housing affordability indices of 231 for repeat homebuyers and 149 for first-timers continues to be the most affordable jurisdiction in Maryland. The median housing price for Allegany County in February was \$71,995 for repeat buyers and \$61,196 for first-time buyers. ■

Homebuyers' ability to buy a median priced home in Maryland remained constant in February, as the statewide index was unchanged from January 2005, but down 20.6 percent compared to February 2004.

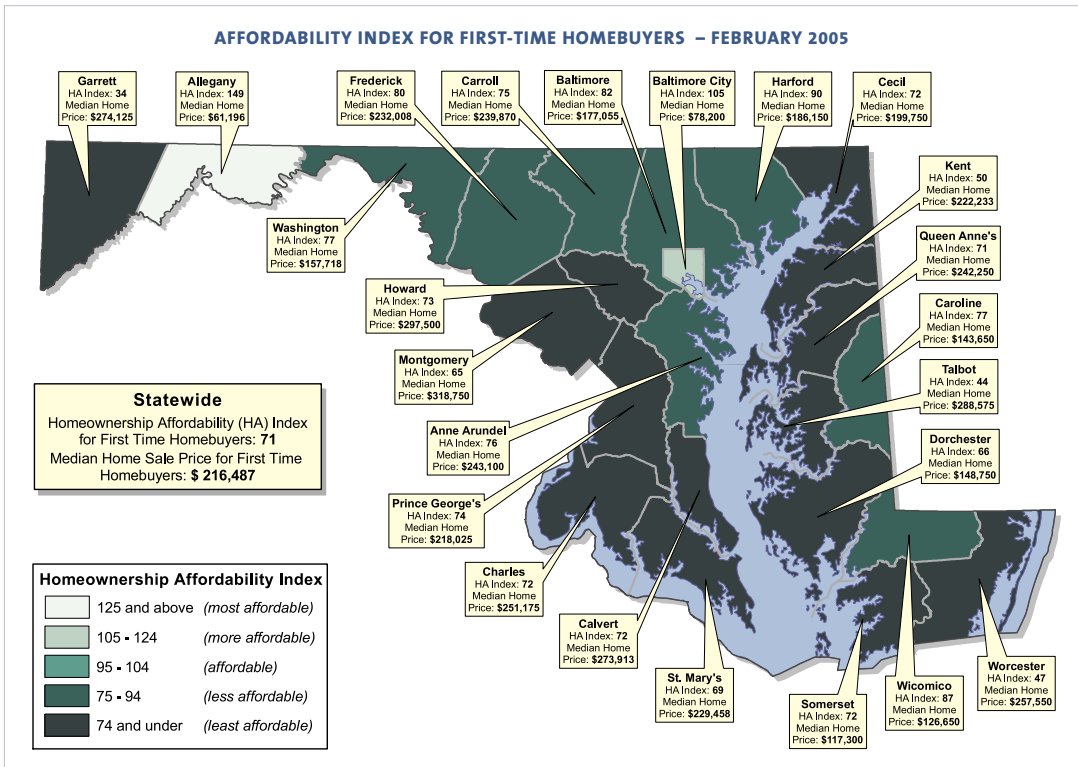


HOME SALE PRICES AND AFFORDABILITY INDICES – FEBRUARY 2005

COUNTY	MEDIAN HOME SALE PRICES				HOUSING AFFORDABILITY INDICES			
	Current Month		% Change From		Current Month		% Change From	
	Repeat Buyers	First Time Buyers	Last Year	Last Month	Repeat Buyers	First Time Buyers	Last Year	Last Month
Allegany	71,995	61,196	44.4%	9.2%	231	149	-27.3%	-7.5%
Anne Arundel	286,000	243,100	21.8%	-4.7%	118	76	-21.8%	6.1%
Baltimore	208,300	177,055	26.2%	4.2%	127	82	-18.8%	-2.9%
Baltimore City	92,000	78,200	22.7%	-3.2%	162	105	-11.6%	4.3%
Calvert	322,250	273,913	59.5%	9.2%	112	72	-41.5%	-7.5%
Caroline	169,000	143,650	38.0%	3.8%	119	77	-24.1%	-2.6%
Carroll	282,200	239,870	18.8%	-5.8%	116	75	-17.7%	7.4%
Cecil	235,000	199,750	30.6%	2.6%	112	72	-28.5%	-1.5%
Charles	295,500	251,175	37.5%	7.9%	112	72	-27.6%	-6.3%
Dorchester	175,000	148,750	89.3%	6.9%	102	66	-47.1%	-5.4%
Frederick	272,950	232,008	23.4%	-1.8%	125	80	-17.3%	3.0%
Garrett	322,500	274,125	79.9%	39.2%	53	34	-38.1%	-27.4%
Harford	219,000	186,150	29.6%	4.8%	140	90	-24.3%	-3.5%
Howard	350,000	297,500	27.1%	4.5%	113	73	-25.7%	-3.2%
Kent	261,450	222,233	34.1%	34.9%	77	50	-18.2%	-25.1%
Montgomery	375,000	318,750	21.7%	1.4%	101	65	-18.6%	-0.3%
Prince George's	256,500	218,025	35.0%	0.6%	114	74	-25.4%	0.5%
Queen Anne's	285,000	242,250	33.4%	-4.2%	110	71	-25.1%	5.6%
St. Mary's	269,950	229,458	29.6%	3.5%	107	69	-19.1%	-2.3%
Somerset	138,000	117,300	176.0%	56.8%	112	72	-63.9%	-35.6%
Talbot	339,500	288,575	0.9%	-5.7%	68	44	5.9%	7.2%
Washington	185,550	157,718	9.5%	6.0%	119	77	0.2%	-4.7%
Wicomico	149,000	126,650	3.5%	4.2%	134	87	-1.0%	-3.1%
Worcester	303,000	257,550	4.5%	-2.3%	73	47	0.9%	3.4%
Maryland	\$254,690	\$216,487	26.0%	1.1%	110	71	-20.6%	0.0%

The Mortgage Applications Index for March declined by 5.0 percent from last month and by 38.0 percent from March 2004, due mainly to a sharp drop in the refinancing component. The refinancing component declined by 18.6 percent from last month, and by 62.0 percent from March 2004. The purchase application component, however, rose by 7.0 percent in March, and by 6.0 percent compared to a year ago.

Source: Maryland Department of Housing and Community Development



...National Economic Digest from cover

input costs as well as a greater ability to pass along price increases. Fuel and steel prices are noted as the most problematic, along with rising costs for healthcare. The prices of consumer goods and services were mixed but relatively flat, on balance.

Chicago Fed National Activity Index Points to an Expanding Economy

In February, the Chicago Fed National Activity Index (CFNAI) was +0.37, considerably above January's revised index value of +0.13, signaling an expanding economy. The three-month moving average CFNAI, which projects a more consistent picture of the national economic growth, shows that the U.S. economy has been growing at above its historical trend during the past eighteen months. All four components of the index (output; consumption and housing; sales, inventory, and orders; and employment) contributed positively to the CFNAI, with the production-related indicators contributing the bulk of the positive impact, as factory output rose for the third consecutive month. The consumption and housing-related indicators also contributed positively to the index, as housing starts reached a 21-year

high and despite a decline in February, residential building permits remained well above their historical trend.

Consumer Confidence Dips Again in March

The Conference Board Index of Consumer Confidence fell by two points in March to 102.4, as the expectations component dropped for the third consecutive month by 2.4 points to 93.7, and the present situation component dropped by 1.2 points to 115.6. The home and auto buying plans declined in March, but plans to buy appliances increased.

The University of Michigan Consumer Sentiment Index for March declined by 1.5 points to 92.6, due to declines in both components of the index. The present situation component dropped by 1.2 points to 108, while the expectation index declined by 1.6 points to 82.8.

Despite these declines, stemming from rising costs of energy and their negative impacts on household budgets, consumers overall assessment of current economic conditions and their expectations remain favorable. Continued improvements in the job market will ease employment concerns and will keep consumption spending on track. ■

The Federal Reserve's Beige Book for January through February reported moderate, but steady economic expansion across the nation. Housing markets and residential construction activity were robust and home sales remained strong across most of the nation. Fuel and steel prices are noted as the most problematic, along with rising costs for healthcare. The prices of consumer goods and services were mixed but relatively flat, on balance.



MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

100 Community Place
Crownsville, MD 21032
1-800-756-0119
www.mdhousing.org

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Blueprint Maryland is published monthly by the Maryland Department of Housing and Community Development.
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